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Wine Sales Sputter Under Tax Pressure

Weak demand, higher duties and shifting consumer habits are squeezing retailers, growers and wineries in the United States and Britain

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The wine industry is entering 2026 under pressure from weakening retail demand, higher taxes, shifting consumer habits and a slower-than-expected recovery in restaurants and bars, according to recent industry reports and market data cited by analysts and trade groups.

In the United States, the off-premise channel that includes supermarkets, club stores and specialty retailers has continued to lose ground. Total wine volume fell to about 329 million 9-liter cases in 2025 from 335.9 million cases in 2024, far below the 410 million cases sold in 2019, according to figures cited in the Silicon Valley Bank wine report and related market tracking. Market value also slipped, to $74.3 billion from

$75.5 billion a year earlier. Distributors have been reducing inventory and narrowing assortments, a process that has cut shelf space for many midtier labels and left national brands with more leverage.

The pressure is especially sharp in the price bands below $12 and below $20, where everyday wines have weakened most. Bottles priced above $15 have held up better, but even there growth has been limited and often supported by discounting. Industry analysts say the result is a shrinking middle market: large retailers are keeping only fast-moving brands, while smaller wineries are finding fewer places to sell through traditional wholesale channels.

That shift has fed back into the vineyard. Growers in California and other major regions have been pulling vines out of production as demand softens and inventories build. Trade groups say roughly 40,000 acres of vines were removed over the past year in California alone. In Napa Valley, some growers left grapes unharvested in 2025 because they could not secure contracts, adding to pressure on land values and winery balance sheets. Distressed sales have followed, with some properties changing hands at discounts of 20% to 25% from 2021 valuations in top regions and as much as 40% to 50% in secondary areas.

Imported wine has not escaped the squeeze, but it has been reshaped by tariffs. After President Donald Trump threatened a 30% tariff on European goods in April 2025, the United States settled on a flat 15% duty on nearly all European Union imports, including wine, effective Aug. 1, 2025. The added cost has pushed up shelf prices for Italian wines and Champagne alike. A bottle that once retailed for about $24 can now land closer to $29 after duty and markup, while some premium sparkling wines have moved toward or above the $100 mark.

Even so, domestic producers have not automatically gained share from pricier imports. Some importers stocked up ahead of the tariff change; others absorbed part of the cost to protect shelf placement. As a result, foreign wines lost fewer retail points of distribution than domestic wines in 2025, according to market trackers cited by trade publications.

The picture is different in Britain, where wine retail is even more concentrated around supermarkets such as Tesco, Sainsbury’s and Waitrose. The United Kingdom has long relied on imported wine volume, and supermarkets have historically controlled most off-trade sales. But that model is under strain from duty increases, value-added tax and new packaging levies tied to extended producer responsibility rules.

From February 2026, alcohol duty was uprated by 3.66%, following inflation-linked changes announced by the government. Combined with VAT and packaging charges that fall heavily on glass bottles, the tax burden has made low-priced supermarket wine harder to sustain. Trade advocates say a £10 bottle now leaves only about £1 for the liquid itself after taxes, logistics and margins are stripped out. At an average shelf price near £7.07, the liquid value falls even lower.

That tax structure has helped push British consumers toward either cheaper alternatives or better bottles bought less often. Red wine sales fell 6% over the past year in volume terms in one set of market estimates cited by trade sources, while white wine declined 4%. Rosé has been one of the few bright spots: volume rose 3% and value rose 5% in 2025, reaching £882 million in retail sales. Brands such as La Vieille Ferme and Studio by Miraval have benefited from that demand.

Restaurants are offering a partial counterweight, but recovery remains uneven. In the United States, on-premise wine volume is still about 26% below pre-pandemic levels. Revenue has held up better than volume because operators have raised prices and trimmed lists rather than expanding selection. In the first quarter of 2026, on-premise wine revenue fell only 2.3%, compared with a 6% decline off-premise.

Restaurant buyers are responding by simplifying wine programs. Long lists organized by region are giving way to shorter menus built around style and price point. Operators are cutting slow-moving bottles and focusing on food-friendly whites, lighter reds and sparkling wines that can move quickly at moderate prices. Spanish Cava has gained ground as a lower-cost alternative to Champagne, while wines from Loire Valley appellations such as Touraine and approachable Malbecs from Mendoza are appearing more often on lists aimed at value-conscious diners.

At the same time, ready-to-drink cocktails continue to take share from wine in bars and restaurants. Industry data cited by beverage analysts show RTDs gaining dollar share while wine slipped slightly over the past year. In Britain’s on-trade sector, cider and sparkling wine volumes rose in pubs and restaurants even as off-trade retail softened further.

The consumer base itself is changing fast enough to force wineries to rethink what they make and how they sell it. Millennials now make up a larger share of active wine drinkers than Baby Boomers in U.S. segmentation data cited by Wine Market Council figures referenced in industry reports, while Gen Z’s share has risen despite many consumers in that group still being under legal drinking age or just entering it. The total number of active wine drinkers in the United States has fallen by millions over the past two years.

Younger consumers are drinking less often and are more likely to switch among wine, spirits, beer and functional beverages depending on occasion. Wellness concerns are also shaping demand. Some wineries are responding with lower-alcohol wines made through yeast selection rather than full dealcoholization methods that can strip flavor. Others are moving into wine-based RTDs or launching “mid-strength” products with lower alcohol content than their core brands.

Direct-to-consumer sales remain critical for premium wineries even as that channel slows too. DTC now accounts for a large share of winery revenue for many producers, but shipment values fell sharply in 2025 and tasting room traffic on the West Coast also declined. Wineries that depend on clubs and online sales are investing more heavily in unified customer databases, mobile checkout tools and automated marketing systems designed to keep buyers engaged without relying on distributors or foot traffic.

The gap between top-performing wineries and weaker ones has widened as a result. Producers with strong digital systems, loyal club members and clear brand positioning have continued to grow even as bottom-tier wineries saw sales fall and margins compress. Industry advisers say successful wineries are shifting away from simple bottle discounts toward experiences such as private tastings, cellar access and food partnerships that give members a reason to stay connected.

For many producers, the strategic choice now looks stark: move upmarket with stronger branding and higher prices or compete at scale at the value end with lower costs, lighter packaging and tighter distribution control.